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TRADE UNIONS AND COLLECTIVE CAPITAL FORMATION

a review of initiatives in western european countries

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FOREWORD

Workers' capital formation is a problem of long standing which has taken various forms throughout the history of industrialisation.

Since the beginning of the 1970s this question has played a special role in the political debate in Sweden and Denmark. In a number of other countries of Western Europe as well the trade unions are striving to achieve a distribution of wealth which is more favourable to workers.

This study endeavours to present an overall picture of the various current initiatives and objectives, the motives behind them and the form they take. The positions of the trade unions on capital formation form a central component.

The report is part of the economic policy analyses and standpoints set out in the ETUI work programme.

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Director of the ETUI

Brussels, October 1983

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CHAPTER I

INTRODUCTION

A more active role in capital formation for workers has been the subject of much discussion in a number of Western European countries over the last decade. Profit-sharing, collective capital formation, participation in industrial policy through the active use of pension funds, wage-earners' funds and economic democracy are all concepts which have come to the forefront of the debate. These discussions have often been instigated by the trade unions and in many cases their initiatives have sparked off lively debate both within and outside the trade union movement.

During this economic recession, with increasing unemployment coupled with high inflation, many people have been seeking remedies to the economic crisis. Proposals in certain countries include elements of economic democracy and collective capital formation. The ETUC at its Congress in The Hague in 1981 approved a general resolution setting out the European trade union movement's guidelines for tackling the problem of too low a volume of investment - mainly in industry. The relevant paragraph is as follows :

"Measures must be taken to stimulate private as well as public investment. These measures can take different forms and vary from one country to another. Whatever form they do take, it must be ensured that trade unions can have a real influence over them. In addition to traditional investment incentives, there may be a need to utilise resources such as pension funds over which the trade unions exercise some control. The measures which need to be taken can also imply

that employee investment funds are introduced. Measures of this kind have the advantage that the need to increase employment when investments in productive activities are made will also be met by means of trade union control." (1)

This statement indicates that the ETUC and its affiliates fear that investment, as well as being too low, is not used in a way to create optimum employment. The creation of secure jobs is a top priority for the trade union movement.

The proposals which have been put forward in the Western European debate on collective capital formation focus on different aspects. It must be said that the discussion has been coloured by industrial relations in the individual countries. Three main considerations triggered the discussion on collective forms of workers' capital formation. One stems from the effects of wage policies pursued in the countries concerned. Another relates to the desire of trade unions to tackle the problem of unequal distribution of wealth. The third element is the current economic crisis.

In conjunction with these considerations there is the desire to find an additional way of obtaining influence over management-level decisions. But this objective of improved industrial democracy has not always been the central issue. As has been pointed out the basic trade union view is that the rights of workers should derive from work and not from ownership.

The wage policies which trade unions are pressing for have been a key element in the debate on collective capital formation. It is mainly in countries where collective bargaining is relatively centralised that the trade unions

have concentrated on achieving a distribution of pay according to work rather than the ability to pay in the individual company. The debates in Denmark and Sweden are examples of this.

The argument concerning the overall distribution of wealth in society is the one most commonly put forward in favour of collective capital formation. As is illustrated in Chapter II there is a very unequal spread of wealth among the populations of Western European countries. Changes which have taken place can be explained mainly by the fact that more and more people are able to own a car and possibly their home. This has somewhat redressed the balance in favour of more equality. However the distribution of ownership of productive capacity has not changed substantially.

The third consideration which has led to proposals to introduce collective capital formation is the economic crisis and increasing unemployment. Trade unions hold the view that productive investment in companies is at too low a level. This is due to lack of demand in the economies which partly has the effect that existing risk-taking capital is channeled into other forms of investment instead. Collective capital formation is considered to be a possible way of promoting investments which are both profitable and have a positive impact on employment.

New agencies are needed on the capital market with somewhat different objectives with regard to investment. More emphasis would be placed on the long-term impact on employment rather than the short-term economic pay-off of investment.

In many countries, collective capital formation has been regarded as a means of influencing industrial policy rather

than achieving industrial democracy. A good example of this is a TUC proposal in the UK with a strong link to industrial policy. The proposal involves the setting up of a National Investment Bank in association with the pension funds as co-financer. It is also worth noting that the pension funds' trusts very seldom have a majority of worker trustees.

No simple model has been found for using collective capital funds to promote industrial democracy in firms. The Danish approach is that the employees in the individual firms should have influence over the shares owned by the fund on a local basis. However, in other countries where public sector employees would also be expected to take part in financing the fund, e.g. through contributions based on the total wage bill, the problem of representation has become complex.

Chapter II of this report concentrates on the trade unions' objectives concerning collective capital formation. It also sets out some of the background to the arguments put forward.

The situation by country is given in Chapter III, focusing mainly on trade union proposals and responses to government proposals as well as on the debate that these have created. Some conclusions are drawn in Chapter IV concerning the differences and similarities emerging from the debate in the countries under review.

CHAPTER II

TRADE UNION OBJECTIVES ON COLLECTIVE CAPITAL FORMATION

II.1 THE FOUR CATEGORIES OF OBJECTIVES

In the Introduction it was stated that the trade union objectives in seeking to promote collective capital formation divide into four categories. These concern wage policy, distribution of wealth, the economic crisis and industrial democracy. However, the objectives for introducing the various schemes vary from country to country. It is also true to say that there has been a shift in emphasis over time. The recession has coloured the approach of trade unions to questions concerning the democratisation of the economy.

II.2 WAGE POLICY CONSIDERATIONS

To create more jobs for the future it is necessary, according to economic theory, to use a sufficient part of total production for new productive investment. This also means that consumption will be restricted in the economy. There is in effect a trade-off between consumption and investment.

If we were to simplify the relationship between consumption, savings and investment in an economy it might be described as follows : employees in their role as consumers affect the level of total consumption and savings in society by their actions and behaviour. Businesses determine how much of the savings will actually become effective capital formation by their investment decisions. This is one reason for inefficiency in capitalism because employees cannot be sure that if they reduce their wage demands the increased savings or profits created will be used in the form of productive capital formation by the investors. On the other hand, the investors are uncertain

about future profits from their investments. This leads the firms to under-estimate the value of investment for society. In economic terms, the value is the profit made by the investors plus the future wages to employees. This means that the social value of investment is greater than the investors' value. Consequently capitalist investment programmes are less extensive than a socially optimum investment programme and do not allow a socially optimum development of consumption.

Against this background it is not surprising that employees and their trade unions concentrate on trying to obtain the highest possible wage increases instead of cooperating to achieve higher profits for the firms when the employees have no guarantees as to how increased profits would be used.

However the trade unions aim to create a fair relationship between wage levels. This means that it is the nature of the work which should determine the wage and not the company's ability to pay. This wage policy is relatively easier to implement the more the collective bargaining process is centralised. One spin-off of this policy, when successfully implemented,is that excess profits are created which would not have been possible if the ability to pay at company level had been a predominant factor in the collective bargaining process.

From this follows the argument in favour of introducing profit-sharing for the excess profits resulting from this wage policy. It is however considered essential that profit-sharing should not have the effect that funds are transferred from highly productive and profitable companies to unprofitable enterprises. It is essentially a technical question how such a profit-sharing

system is designed to be consistent with the wage policy and at the same time avoid producing the negative effects mentioned above. The arguments concerning wage policy and profit-sharing have arisen because the distribution of production between capital and labour is by definition not the same as the distribution of production results between investment (savings) and consumption. Just like workers who may be able to save or invest part of their wages, shareholders spend part of their income from capital investments on consumption.

II.3 A MORE EQUAL DISTRIBUTION OF WEALTH

In more than one country where proposals have been put forward for redistributing capital in favour of employees it has been established that wealth distribution is very unequal. This section sets out some examples of wealth distribution in a number of Western European countries.

It has been argued that a more equal distribution of wealth is very difficult to achieve without drastic action. Some headway has been made in obtaining a more equal distribution of income through the collective bargaining process but with no major change in wealth distribution. The picture for productive capital distribution is even less encouraging. The figures given in this section clearly illustrate the inequality of wealth distribution.

It should be noted that statistics are not always prepared on the same basis in each country. It may therefore be difficult to give absolute comparisons between the different countries. A general picture of wealth distribution does however emerge. The figures given for some countries are not very recent but they nevertheless serve as an approximate guide because changes in wealth distribution only take place very slowly.

Taxation statistics from Austria show that in 1968 0.2% of the population owned 42.7% of the capital wealth of natural or legal persons which exceeded the minimum for taxation purposes. With regard to company capital, 0.5% of natural or legal persons owned 49.2% of the taxable capital. Although 60% of this 0.5% are legal persons (shareholding companies) it is assumed that the company shares are not very evenly spread out amongst the total population. (2)

The Committee of Enquiry on Low Income in Denmark has conducted a study based on information from 1977 which shows that one tenth of the population owned 55% of the total wealth. At the same time it was established that the poorest 10% of the population had negative assets amounting to 2.6% of the total assets.

In the Danish study referred to in a book by Bent Hansen (3) calculations were made to give a maximum equality percentage. These showed that more than 60% of the total capital wealth would have to be redistributed if the objective of equal distribution of assets is to be achieved.

The Danish Committee of Enquiry stated that control over economic resources is absolutely vital in determining the extent to which individuals can influence their own situation. The Committee also considered that a particular feature of economic resources compared with other types is their direct impact on the standard of general living conditions.

Wealth is also unequally distributed in France. According to a recent study from the CERC (Centre d'étude des revenus et des coûts) 6% of French households own 25% of the wealth. The

richest 1% of households own 11% of the total wealth. However starting from the bottom end of the wealth distribution table 30% of households own only 12.4% of total wealth. (4)

Recent statistics from the Banca d'Italia for 1981 on the distribution of wealth in Italy show that over 30% of households have no or negative assets, while the top 6.4% have capital assets worth more than 150 million Lire. Their total assets account for 42.1% of total assets of Italian households.

TABLE I - DISTRIBUTION OF HOUSEHOLD ASSETS IN ITALY IN 1981

Household assets	% of households	% of total household assets
+ 150 million Lire	6.4	42.1
100-150 " "	5.5	13.8
50-100 " "	18.4	27.5
under 50 " "	37.2	16.6
no assets	28.8	-
negative assets	3.7	-

Source : (5)

The figures clearly illustrate that assets are unequally distributed. The richest 12% of households own more than 55% of the total privately owned assets.

The distribution of wealth in the Federal Republic of Germany has been studied by W. Krelle. He based his study on data

from 1973 and the results are given in the table below.

TABLE II - DISTRIBUTION OF WEALTH BY GROUPS, ACCORDING TO WORK STATUS, IN THE F.R.G. IN 1973

	Households of :					
	workers	employees	civil servants	not gainfully employed	farmers	other self-employed
average capital wealth, DM	56 635	75 272	69 967	60 217	305 419	478 977
% of all households	28%	20%	6%	35%	3%	7%
% of productive wealth (definition of Mierheim and Wicke)	0.9%	4.5%	0.3%	3.8%	2.8%	87.8%
% of real estate value owned by these households	20.1%	18.2%	5.8%	20.4%	11.4%	24.1%

Source : (6)

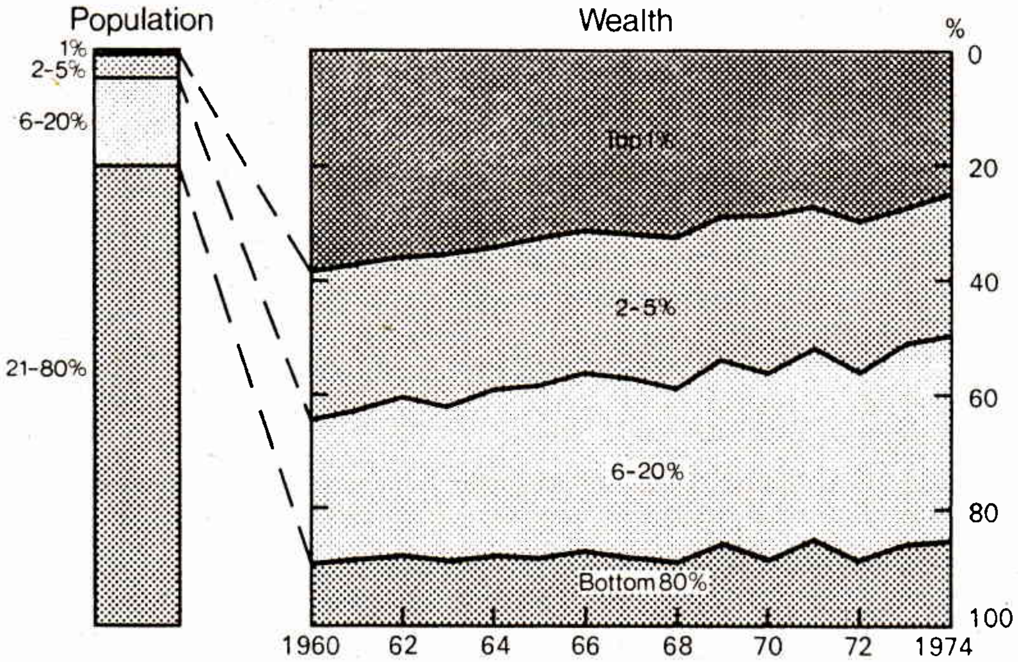
Table II clearly illustrates that there is a more equal distribution of wealth in real estate, such as housing, than in the distribution of productive wealth. The probable explanation for this is that a growing proportion of households own their home. The productive capital however is owned by a minority of the households. In 1973, 7% of households owned 87.8% of total productive wealth, as against only 24.1% of the real estate value. Workers and employees, making up 48% of households own 38.3% of real estate but only 5.4% of productive wealth.

The Royal Commission on the Distribution of Income and Wealth set up in the United Kingdom in 1974 established that in the same year the top 1% of the population owned 25.3% of

marketable wealth and that 5% owned 49.9% of wealth. The bottom 80% together owned just under 15% of the wealth.

The Royal Commission also prepared figures showing how wealth was distributed between 1960 and 1974. The diagram below illustrates the relationship between population and wealth based on this data.

DIAGRAM I - DISTRIBUTION OF WEALTH AMONG THE POPULATION OF THE U.K., 1960-74



Source : (7)

The diagram shows that redistribution took place mainly among the wealthiest 20% of the population. During the same period the share of the bottom 80% only increased from 10.2% in 1960 to 14.5% in 1974.

In Sweden a Commission of Enquiry working on the question of wage-earners and capital growth initiated studies on the distribution of wealth.

Figures based on taxation statistics show that in 1975 the richest 0.57% of households owned 13.7% of wealth. The top 12.1% of households owned 59.8% of wealth. 31.2% of households had no or negative assets.

The study also surveyed the development of wealth distribution over a period of time. Although some redistribution had taken place over time, in 1975 80% of assets were still owned by only 20% of households, as illustrated in Table III below.

TABLE III - DISTRIBUTION OF WEALTH IN SWEDEN 1920-75 BASED ON HOUSEHOLDS

Year	The wealthiest households in %				
	1%	2%	5%	10%	20%
1920	50	60	77	91	100
1930	47	58	74	88	98
1935	42	53	70	84	97
1945	38	48	66	82	96
1951	33	43	60	76	92
1966	24	32	48	64	82
1970	23	31	46	62	84
1975	21	28	44	60	80

Source : (8)

The table shows the share of total net, taxable wealth owned by the wealthiest 1, 2, 5, 10 and 20% of households. The figures also show that while 80% of households in 1920 had no assets, in 1975 their share of total wealth had risen to 20%. But there is still very considerable inequality of wealth distribution in Sweden.

II.4 JOB-CREATING INVESTMENT IN THE ECONOMIC CRISIS

Trade unions in all Western European countries are concerned about the economic situation and the continuing rise in the unemployment level which in mid-1983 stood at over 18 million men and women registered out of work. Trade unions have also presented programmes for an active economic policy to fight the rising unemployment and achieve a better climate for growth.

Some mainly conservative governments seem to believe that a way out of the crisis is through more "freedom" for investors. But by increasing the advantages for one category in society the situation for other categories will be made worse when the economy as a whole does not grow. Allocating resources more unequally does not by itself generate growth.

It is a matter of choice how available resources are organised to be used in the best interests of all. The objectives upheld by the majority of the people and shared by the trade unions, include reducing unemployment and increasing the opportunities for individuals to determine their own situation both within and outside the workplace.

Wim Kok, then President of the ETUC, said at a seminar on economic democracy in Sweden in 1980 :

"*The numerous individual and collective needs which are to be met in society require that the direct productive part of the economy is based on a sound financial foundation. But, too many entrepreneurs and also politicians regard profits as an aim in itself.*

I object to that view. Entrepreneurs' profits must be considered as an indispensable means for realising objectives selected within and outside the company. In my view, workers

must be enabled to participate both in the distribution of profits and in decision-making on how profits are to be spent. This is even more important because in almost all Western European countries the opinion is voiced that radical choices will have to be made to solve the present socio-economic problems. It is essential to find a way of coping with the explosive growth in unemployment during the past few years." (9)

During the crisis the objective of job creation has been increasingly highlighted. This has led the unions in some countries to present models for collective capital formation which are not based exclusively on profit-sharing, but which also include an element of payment into the funds based on the total wage bill. The motive for this has been that the process of capital formation needs to be accelerated so that enough risk capital will be made available for productive job-creating investment.

A way out of this situation could be to reduce the role of the entrepreneurs and increase employees' influence and control over the use of profits and, consequently, over real investment decisions. In other words, to democratise the economic process in society. Distribution of wealth and incomes would take place not only between labour and capital at a given moment but also over time between consumption and investment, through collective capital formation wholly or partly based on profit-sharing schemes. This would give workers a share in the growth of productive capital.

II.5 INDUSTRIAL AND ECONOMIC DEMOCRACY

The trade unions hold different views concerning the role of workers in management decisions.

In industrial relations demands for "industrial democracy" are multiplying and being expressed more forcefully by employees through their unions. "Industrial democracy" is understood as meaning that employees at the workplace have the right to influence all decisions which affect their employment, pay and working conditions. In order to do this, the employees need information concerning investment plans, changes in production and the general economic situation of the company, to mention only a few aspects. It can also include representation on the board for workers. Accordingly industrial democracy also encompasses the right to information about important changes in work organisation in the wider sense. Industrial democracy should not be based on worker ownership but on the work itself.

How then should industrial democracy be achieved ? The options fall into three basic categories : workers' control (the French concept of "contrôle ouvrier"), self-management and co-determination.

Workers' control - as it is understood in the French context - means that workers have a say in working conditions in general, mainly through collective bargaining. Workers' control implies that workers are entitled to the maximum amount of information, to consultations and the right to negotiate on any question. The ultimate responsibility for decisions on company policy still resides with the management.

Self-management implies that workers propose and take decisions concerning production, work organisation, etc. Self-managed firms may be organised along different lines but the responsibility for decisions remains with the workers.

The third concept of co-determination falls between the other two. It differs from workers control in the sense that workers

and their trade unions can exert influence over decisions at board level. Also, before management can implement decisions in certain matters the approval of workers' representatives must be obtained.

The concept of economic democracy is interpreted differently in different countries. In this report the concept is taken to be the one first introduced in Denmark. The term implies "working towards a more equal distribution of incomes and wealth in society". A consequence of this may be a change in the pattern of use of economic power (depending on how the objective of more equal distribution of wealth is achieved). This would then pave the way towards furthering industrial democracy through economic democracy.

In some countries where collective capital formation is being debated, elements of both economic democracy and industrial democracy have been discussed. In other countries however collective capital formation has been considered primarily in terms of job creation or traditionally in the context of securing supplementary pensions.

With regard to ownership there are three options under consideration. One would be for the productive capital to remain in the hands of private investors. The second possibility would be nationalisation of the means of production. The third alternative, which falls between the other two, would be for workers to own productive capital either in the form of self-managed firms or in some type of collective fund. The objectives of the different trade unions have led them to favour a mix of the different alternatives rather than one particular model.

A vital factor in the attitude of an individual union to ownership is the way in which collective bargaining has been

organised and also the union's stance on industrial democracy. A simplified way of viewing the collective bargaining aspect would be to say that the more emphasis collective bargaining at national level places on pay and general working conditions, the more likely that collective ownership will figure on the union's agenda.

It is possible however to promote democratisation of the industrial structure through ownership. The collectively formed capital will have more influence over strategic decisions taken at management level than over everyday decisions. This adds other objectives to those which shareholders and investors would otherwise have in the medium and long-term management of firms.

II.6 SUMMARY

The trade unions' four objectives in proposing schemes of collective capital formation are based on the consequences of wage policies, the aim of achieving a more equal distribution of wealth, the need to combat unemployment and the desire to increase influence over management-level decisions through ownership.

These objectives complement each other rather than being contradictory. However the main emphasis has changed over the last decade. As will be seen in the next chapter the early debate concentrated on the distribution of income and wealth. Today however much more emphasis is placed on arguments associated with the economic crisis. Accordingly the trade union proposals have seen a shift away from profit-sharing schemes to schemes which were wholly or partly based on contributions linked to the total wage bills.

Most trade unions regard the objective of influencing decisions through ownership as a secondary spin-off from the primary objectives.

CHAPTER III

COLLECTIVE CAPITAL FORMATION IN WESTERN EUROPEAN COUNTRIES

III.1 AUSTRIA

III.1.1 The dilemma of income and wealth distribution

Austria was one of the first countries in Western Europe to initiate a debate on collective capital formation. As early as 1967 the ÖGB published a discussion pamphlet[10], written by Stefan Wirlandner, then head of the ÖGB Economic Department. The basic problem dealt with in the pamphlet was how sufficient capital could be secured for future investment, in the private as well as in the public sector, to maintain a sufficiently high investment ratio without having to abandon the objective of further long-term income and wealth redistribution. Wirlandner argued that the distribution of the total economic results between consumption and investment had to be maintained at an economically "sound" level.

In order to maintain this ratio and at the same time make it possible to tip the balance in the distribution of incomes between labour and capital further in favour of labour, new forms of capital formation were required. He also thought that the trade unions with their changing roles had an important part to play since they were becoming increasingly involved in the economic process. They should therefore also participate in resolving this difficult problem.

Wirlandner underlined the need for an incomes policy solution for the future. He argued that if such a solution were possible in view of the trade union objectives, workers should take part in the process of capital formation while avoiding nationalisation. Measures would have to be devised however to ensure that workers' capital was not used for consumption in the short term.

Wirlandner thought that the solution to this dilemma was to be found in some form of workers' capital formation scheme. Some obstacles, primarily the role of the transnational companies in the economy were recognised as well. Wirlandner pinpointed some of the requirements which a collective capital formation system had to fulfill. He claimed that a system would only be introduced when it satisfied material needs in a positive sense and when it was consistent with the views on society held by a large proportion of the population, i.e. :

- Those able and wanting to work should be able to expect a meaningful job and growing income;
- There must not be a reduction in growth due to organisational weaknesses in production, distribution and the monetary system;
- The necessary community services must be set up to promote a secure existence and the personal development of the citizen;
- Finally, it must be made economically worthwhile for broad sections of the population not to use their capital for consumption. This aim must be achieved if investment in infrastructure and other sectors of the economy is to be intensified.

The ÖGB discussed the question of collective capital formation at both the 7th and 8th congresses in 1971 and 1975 respectively, on the basis of reports by two working parties.

III.1.2 The Report to the 7th ÖGB Congress

A working party within the ÖGB presented a report on the subject of capital formation in the hands of the employees at their 7th Congress in 1971.[11] In the report the discussion of a further redistribution of wealth in society was taken up. One of the starting points for the discussion was that it had been shown that traditional wage policy and collective bargaining alone did not change the overall distribution of wealth.

It was noted that employers compensated for increases in wages by raising prices or by holding back investments with the result that the investment ratio had fallen.

It was also clear to the working party that there was a continuous concentration of production capital into fewer and fewer hands in Austria, as in other European countries.

One objective put forward for capital formation in the hands of the employees was to achieve a reform of wealth distribution in parallel with a more equal distribution of income. The need to achieve this objective was compounded by the tendency towards a higher concentration of wealth in industry. This tendency was considered to be not only unjustified and anti-social but also dangerous. One other objective was that enough capital must be made available to secure sufficient investment in society to create optimum

economic growth. It would also be desirable to increase the employees' influence over economic decisions. In the report, the working party warned that it would not perhaps be possible to achieve all objectives through the means of collective capital formation alone.

In the light of the objective of achieving a more equal overall distribution of wealth in society, the problems and possible ways of achieving this aim were outlined in the report. It was considered that obtaining a change in the long run in income distribution without a reduction in economic growth was possible only if the relationship between consumption and investment was not changed substantially. However, measures should be taken, according to the working party, which would enable employees to save a larger share of their income.

Three ways of dealing with employee capital formation were considered :

The first was the possibility of profitsharing schemes in the individual company. However, this concept has two drawbacks, according to the group - first that the employees in the public service sector might be excluded from such a scheme; secondly, that if a company goes bankrupt, the employees not only lose their jobs but also risk losing their savings.

The second concept of capital formation in the hands of employees was to give completely free choice to the individuals as to the bank/credit institution in which they wished to place their capital. This, however, carried the risk that no employee influence in company policy was created. The capital would probably not be invested in accordance with the collective objectives of the employees but rather in the way the bank, as the administrator of the capital, considered best.

The third form of employee capital formation would be to collect the capital together in one or a small number of funds. These funds would be administered in such a way that the owners of the capital would be involved as much as possible so that company policy could be moved more into line with the employees' interests.

The working party discussed different ways in which the capital for these funds could be raised. These included the following possibilities : as part of company profits; a special tax on company assets; a wage and salary-based payment or as a voluntary additional individual payment by the employees.

III.1.3 The report to the 8th ÖGB Congress

One result of the 1971 Congress of the ÖGB was that the Executive Committe was given the task of drawing up a proposal on workers' capital formation for the 8th Congress in 1975. Members of the ÖGB Executive headed a working party which prepared a new report .[12]

The working party took into consideration experiences not only in Austria but also in other European countries such as the Federal Republic of Germany and Denmark. However, the working party found that these experiences and ideas either did not go far enough or would be politically impossible to implement in Austria. Instead the working party looked for a model based on specifically Austrian conditions.

The working party concluded that it would not be enough just to encourage savings to achieve a transfer of at least a part of the ownership and at the same time achieve adequate capital formation. However, the working party was also reluctant to advocate a direct obligation for companies to hand over shares to workers. Instead the working party based its proposal on the existing system of compensation payments made on termination of employment contracts (Abfertigung) and the reserves that Austrian companies could set up voluntarily for this puspose. These reserve funds, which could total up to 80% of the amount to be paid on termination of employment contracts, were free from taxation. 25% of the reserve funds were to be invested in the form of fixed interest-bearing shares. The remaining 75%, however, would be at the disposal of the company. The use of this capital - called "social capital" - could not be influenced by the workers even though the funds might be seen as consisting of deductions from salaries. Neither did the workers have any share in the yield from this capital.

The working party proposed that the reserve funds for end-of-contract payments should be increased from 80% to 100% of the final payment and that the funds should be obligatory. Alongside the existing obligation to set aside one quarter of the funds for end-of-contract payments in the form of shares, the company would also be obliged to make an additional part of this fund available to a Central Capital Formation Fund for Workers (Zentraler Vermögensbildungsfonds der Arbeitnehmer). The proportion would be between one third and one half of the reserve fund. The Central Fund would represent an extra insurance for workers in case of company insolvency.

The Central Fund would be established by law as a public body jointly run by workers and employers. The workers would have a two thirdsmajority on the different organisational bodies of the fund. The working party's proposal further advocated total exemption from tax for the Fund as well as for payments to individual workers (together with end-of-contract payments).

The Central Fund would then administer the funds in the interests of the workers and society. It would give loans for investmentor acquire shares in Austrian companies. The primary task of the Fund would be, however, to allocate its resources in the form of shareholdings. Only when this was not possible for some reason would loans be given out. It would also be possible for the Fund to hand over some funds in trusteeship to existing credit institutions. The yield from the Central Fund for Workers would be paid out to the workers in such a way that when an end-of-contract payment became due the Central Fund could make an additional payment to the worker based on the length of entitlement to payment and the duration of the work contract.

The scheme proposed would have an effect on the distribution of wealth and income but without directly affecting the balance of power with regard to management and strategic decisions made within companies. Influence over investment decisions was indirect in the sense that the Central Fund could provide risk capital which might not otherwise be available. This was an an important factor because only through control over the allocation of capital can a system acquire significance in terms of social policy.

The centralisation of workers' capital and its administration by bodies appointed by the workers formed a central component of the whole concept.

If the Fund's administrators were to transfer the money to existing institutions in which the workers and their representatives had no influence over decision-making this would of course diminish the substance of the concept.

Since the 8th ÖGB Congress, however, the debate in Austria on collective capital formation has declined.

III.2 DENMARK

III.2.1 Short history

In 1969, the Danish LO set up a working party to prepare a report on the problem of influence and rights for wage-earners in relation to capital by means of control over shares in profits through a collective fund. The report contained some broad guidelines and these were presented to the 1971 LO Congress where they were discussed and approved. On the basis of this report, the Danish LO together with the Danish Social Democratic Party put forward a proposal for legislation on economic democracy (økonomisk demokrati). This proposal was put before the Danish parliament in January 1973.

The objectives of the proposal were to secure rights to co-ownership and co-determination as well as influence in industry for wage-earners. A further objective was to achieve a more equal distribution of wealth and income. However, the proposal was not discussed in the parliament before the unexpected general election of December 1973. The proposal was not presented in the new parliament.

In 1976, a slightly modified proposal was drawn up but never put before the parliament. In 1978, a report[13] on the subject was prepared by a national committee of enquiry and the following year the Social Democratic government introduced a new proposal on economic democracy based on this report [14]. This proposal called for obligatory profit-sharing of 10 % of the company's net profits, applying to all companies as a rule. The parliament rejected this proposal and instead called on the government to draw up proposals for improving employee representation on company boards and the influence of employees in the public sector. Legislation on this aspect was passed by the Danish parliament in 1981.

III.2.2 Present position of the Danish LO [15]

The Danish LO still considers the main elements of the bill presented in 1973 to be valid for the LO'S aims today. The the salient points are as follows :

- Employees should be entitled to a share of ownership on the basis of the work they carry out. The scheme should cover all employees. The shares of the individual employee should be equal and their own personal property.

- The employee's capital should be based primarily on the work effort. This work may be in industrial production, in private services or in the public sector.

- The risk attached to the capital share for the individual employee is limited because it is borne by the employees collectively. Similarly the proceeds from the fund capital should be shared out on the principle of solidarity.

- Co-ownership must not restrict the individual employees' possibilities of changing their job and employer.

- The influence over industrial decisions to which employee's capital gives access should be exercised by the workers employed in the individual company.

As far as possible, employee capital should be invested in industry in the form of active and liable capital.

The LO's views of the technical aspects and the administration of the Fund are as follows :

The amount of the Fund's resources would be based on the total sum of all wages and salaries. All employers would pay a certain percentage into the Fund each year, based on this sum. The first year the contribution would be 0.5 %. This percentage would subsequently be increased each year by 0.5 % up to a maximum of 5 %. Private companies would also make an additional contribution through profit-sharing.

The Fund would be owned by all employees between 16 and 67 years of age. Those employed for 32 weeks or more in one year would receive one share while those employed for between 16[(1)] and 32 weeks in a year would receive a half share. This is irrespective of the level of their income because all shares would be of the same value. Each year, the employee

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(1) *16 weeks employment a year is the minimum which entitles an employee to a supplementary pension.*

would receive a certificate testifying to his or her personal ownership in the fund. Ownership would not be related to any particular employment; employees would be able to change place of employment or retire without losing their shares in the fund. The capital would be frozen for seven years before the employees could cash in the shares. The income from the funds would be distributed amongst the employees.

The Fund capital would mainly be invested as liable employee capital in Danish industry. The employees would elect representatives for the Fund from among their number. These representatives would then act on behalf of the Fund at company general meetings and sit on the company board. An administration body for the Fund would be set up to provide back-up services for its representatives by carrying out analyses of accounts and investment plans, etc. The Fund would also provide for extensive training for the representatives.

The Fund would be managed by a council with 120 members, 80 of whom are elected by the employees and 40 appointed by the Ministry of Labour. Trade unions would also elect regional investment councils to advise the Fund on investing the capital.

The creation of such a Fund would make it possible to increase the total amount of risk capital available in the economy and at the same time increase democratic control over private capital. However, the risk for the individual employee would be minimised as the risktaking in the Fund is spread out.

In Denmark, as in other countries, the introduction of economic democracy schemes based on profit-sharing or other methods has been the subject of continuing debate. Generating sufficient risk capital in the economy was increasingly regarded as an important factor.

Localised, individual profit-sharing schemes exist in Denmark which have in most cases been initiated and introduced by the employer as an incentive to increase productivity in the form of a yearly bonus. These schemes do not, however, give the employees any influence over how the company is run.

III.2.3 The wage-earners' cost-of-living fund [16]

In 1976, the government partially suspended the linking of the cost of living index to wages for a period of two years. Instead the suspended payments were paid by the state into the Labour Market Supplementary Pension Fund (ATP-fonden). In 1980, the government decided to set up a separate wage-earners' cost-of-living fund (Lønmodtagernes Dyrtidsfond, the LD Fund).

The total funds amount to about 10 billion Danish Crowns. The funds are frozen for the individual employees until they retire. In total some 2.5 million people have individual accounts in the LD Fund.

The LD Fund is run by a board with 21 members. Six members are appointed by the Finance Minister and the remaining fifteen are employees' representatives elected through the trade unions. It is intended that the available funds should be invested so as to benefit the employees who have accounts in the LD Fund. Once a year the profits from the Fund's investments are transferred to the accounts of the individual beneficiaries.

Because no new money will be paid into the LD Fund, apart from the profits accruing from the fund's own investments, and since the money will be paid to the employees on their retirement, the LD Fund will be depleted when all the money has been paid out.

The LD Fund can invest up to 20% of its capital in shares while the rest will be invested in bonds and loans. The trade unions would like to see the percentage of shareholding capital stepped up.

With regard to investment the LD Fund acquires shares in companies quoted on the stock exchange as well as in other companies. The LD Fund also gives assistance by providing capital to start up new businesses and restructure existing ones.

The LD Fund will not invest in a company if a flexible organisation cannot be achieved together with competitive products. This is necessary for long-term expansion and increased employment. The Fund does not, however, want to be considered as different from other shareholders in companies. Legislation prevents the Fund from owning more than 20% of the shares in one company. This also rules out any possibility of the LD Fund taking over a company during restructuring. The Fund does not press for representation on company boards, but it may ask for other conditions to be met before investing in a company.

The LD Fund also has other forms of investment. It is the Fund's policy to have an open approach and inform the public where the money is invested.

The Danish LO does not consider the LD Fund to be part of the concept of economic democracy. It may, however, help to bring the debate on economic democracy down to a level where practical solutions can be found and implemented.

The Executive Board of the Danish LO decided in August 1983 that the LO together with the affiliated unions, the Cost-of-living Fund and other bodies close to the labour movement should start up their own investment company. The company, called A/S Aktiv Erhvervsinvestering, is to start operating at the beginning of 1984.

III.3 FRANCE

Before 1982 the question of collective capital formation had hardly been broached in France. It was not included on the agenda of either both sides of industry or of the public authorities.

Industrial democracy was considered by the trade union organisations primarily from the angle of strengthening collective bargaining mechanisms and extending trade union rights and worker representation in companies. These

priorities fitted into the general pattern of relations between unions and employers where conflict was and still is a characteristic feature. Against this background collective ownership of capital by workers occupied a very small place.

II.3.1 Shareholding and individual profit-sharing

On the other hand different schemes of workers' shareholding and individual profit-sharing in the companies have been introduced. These initiatives did not emanate from the trade union organisations but rather from right-wing governments, to a certain extent supported by the employers. The union organisations have on the whole been reluctant to support these schemes which had the aim or effect of limiting pay rises and making them partly dependent on profit levels in their company. Moreover they considered that these systems of individual shares in profits in no way contributed to greater democracy in the company but were more a reflection of paternalist attitudes.

Various systems have been introduced by the public authorities. The Order of 7 January 1959 with the aim of "promoting workers' association or profit-sharing in the company", was the first text which explicitly provided for the distribution of shares among company staff. Workers' profit-sharing through the distribution of shares presupposed an agreement between the company head and the workers' representatives. This scheme has been little applied in practice. The Law of 17 August 1967 created a compulsory profit-sharing scheme for employees in their company (for companies with more than 100 employees). Under this Law , if the company makes a profit a deduction is made first of all to provide a return on the company's own capital (at the rate of 5 %). The ratio of wages to added value is then applied to the remainder to calculate the share of work in the company's activities. The

figure obtained, divided by two, constitutes the special share reserve for the company employees. The special reserve calculated in this manner remains blocked for a period of 5 years. It is managed in the form of company shares, blocked accounts in the company, bonds or common investment funds. The management must be subject to a company agreement. In 1970, three years after the Law had come into operation, 2.5 million workers in 6,500 firms were covered by agreements of this type. The amounts allocated to them under this scheme represented 2.75 % of their pay, on average. (17)

The trade union organisations CFDT and CGT-FO have criticised this scheme under which workers were deprived of the use of their profit share for 5 years while traditional shareholders could dispose of their profits shares as they wished.

The CFDT also considered that this scheme gave workers no rights or new ways of exerting real influence over company decisions and in no way contributed to the democratisation of the economy. It is in the light of this fact in particular that the CFDT has stated its support for nationalisation of banks and certain key industrial companies.

The CGT-FO does not believe in the idea of "capital-work association", considering that employers and employees have divergent interests. For this reason the CGT-FO considers profit-sharing schemes cannot bring about a major change in industrial relations and the decision-making process. This union takes the view that such a change can only be achieved through the development of collective bargaining and the maintenance of trade union negotiating power.

Other laws have been introduced with the aim of enabling employees to buy shares in their company under very favourable conditions. These laws have not met with much success.

III.3.2 Wage Funds

At the end of 1982 and early 1983 proposals concerning collective capital formation were made by both the CFDT and the French government, in particular by the Minister for the Economy, Jacques Delors. In both cases the approach showed similarities with the one developed in Italy under the name "Wage Funds". The idea behind these wage funds would be to make employees turn over a fraction of their pay towards financing a fund set up to promote job-creating investment.

The French government proposed that workers should, on a voluntary basis, use a proportion of their pay rises for investment. In return they would have control over the management of this investment and could use the resulting surplus for sharing out work or creating new jobs. The wage funds would be the property of the employees. The minimum period for savings organised in this way would be 4 or 5 years. The funds would be set up by region, industrial area or company. The French government does not want to impose these wage funds through legislation but intends to encourage their creation through the channels of negotiation between both sides of industry. This encouragement could take the form notably of incentives concerning tax or social charges whereby the proportion of the wages paid into the wage funds would not give rise to the payment of social charges by the company nor of taxes by the employees.

The CFDT considers that wage funds should be a means of job creation, making it possible to channel a proportion of the

purchasing power of the direct wage into saving and therefore into job-creating investment and the financing of reductions in working time. In the view of the CFDT this would not be a loss of purchasing power but a new distribution of the total wages. This distribution has to be negotiated at company level. The wage funds themselves would be set up at regional level and would be subject to controls by the unions regarding the consequences of investments for employment. The CFDT prefers this form of voluntary, negotiated levy to all the obligatory forms introduced by the State.

The CGT-FO has stated its opposition to the creation of wage funds in the forms proposed. It rejects a system which in practice involves enforced saving for workers whose purchasing power is falling. In addition this system leads to a reduction of consumption, in line with the austerity policy of the French government about which the CGT-FO has expressed some reservations concerning its effects on the economy. On principle, the CGT-FO remains opposed to any idea of "capital-work association" in view of the divergent interests of employers and workers. For this reason the union rejects any scheme involving joint decisions by employers and unions on investment questions.

The employers' organisation has expressed reservations about the plan to create wage funds since this would involve setting up mechanisms of co-management. However the organisation has declared its support for the principle of a "transfer of wealth of households to companies", directing savings into productive investments. In other words the employers' organisation accepts the idea of an injection of new finance but refuses all controls over the use made of these contributions.

In 1983 the wage funds' debate was still in its early stages and is expected to continue in the coming months and years, particularly if the public authorities do not want to impose wage funds through legislation.

III.4 ITALY

In Italy, the debate on employee investment funds is already under way. To provide material for discussion, the CISL commissioned a translation into Italian of the 1976 congress report by the Swedish Trade Union Confederation.

The debate in the Italian trade unions has been based on the objective of increasing investment for job creation while not giving ground on the traditional trade union aims in collective bargaining.

It is interesting to note that the Italian debate on the issue of collective capital formation has focused on the possibility of a regional redistribution of investments. This is different from the debate in, for instance, the Scandinavian countries. The unions emphasize that increasing capital formation on a collective basis would pave the way for increased investment in the less industrialised areas, such as southern Italy.

III.4.1 Solidarity fund

So far the debate on collective capital formation in Italy has only just got off the ground. In 1980, the government proposed the creation of a Solidarity Fund (Fondo di solidarietà per interventi finanziari finalizzati allo sviluppo dell'occupazione). This fund was partly intended as a means of combating inflation and unemployment, as an alternative to abolishing index-linked wages. The fund was

to be financed by a 0.5 % deduction from wages for all employees in the private and public sector.

According to the government the deductions were to be considered as loans from the workers for a period of five years. At the end of this time the money would be paid back to the employees with interest.

During the first year the fund would place all its investments in the south to assist what were known as "curable" companies, for instance. The trade unions would have influence over where the money was invested and for what purpose. It was stipulated that the trade unions' assent was required before funds could be invested in other regions.

However, the fund would not give workers in the companies concerned any special influence over the way in which the capital was invested.

III.4.2 The views of the trade unions

This proposal by the government opened up a debate among the unions, which was to develop at the three national congresses in the second half of 1981. The CISL position was that Italy was confronted with a structural crisis in the capital formation mechanism which had led to a scarcity of investment. Therefore, new forms of management and control of resources through workers' savings are needed as opposed to other alternatives such as more profits through wage cuts or increased fiscal pressure on wages. A solidarity fund could be a useful instrument mainly intended for the development of a self-managed economic sector, giving priority to financing investment in the Southern provinces.

Unions should have powers of guidance and political control over how the money is used by means of unions representation in control bodies. These must be clearly divided from the management bodies. The solidarity fund should according to the CISL be created by law and funded through a minimum compulsory contribution by all the workers.

The CGIL's position was that to cope with investment and the capital formation crisis, priority should be given to national and sectoral planning and to greater development of industrial democracy at company level (piano di impresa).

A fundamental aspect of the democratisation of the economy is self-management (not to be regarded as a third, marginal, economic sector).

A corporative model of economic management such as union management of capital formation shares was totally rejected in November 1981. The CGIL, therefore, proposed the creation of a national fund for associated and cooperative employment in southern Italy, to be funded mainly through direct and voluntary employees' contributions.

The UIL's position was favourable to the creation of a solidarity fund as a very important experiment in achieving broader industrial democracy in Italy based on co-determination and a dual structure at company level. The UIL, therefore, favoured a direct and institutional control by the unions of the solidarity fund's management.

III.4.3 Developments since 1982

A first agreement among the three unions was reached in 1982. The idea of a solidarity fund was accepted, which would be funded mainly through voluntary contributions by the workers

(0.5 % of wages and salaries), geared to developing social and industrial investments in southern Italy and promoting self-managed activities and new job opportunities for young people in the South of Italy in association with the cooperative movement. The solidarity fund would have to be managed by a public structure in accordance with the views expressed by the unions in a control body to be created.[18]

A further step towards the setting up of a solidarity fund took place when a general agreement was made in January 1983 covering the "scala mobile". Under this agreement a workers' solidarity fund was agreed on to help sustain and create jobs. The government will discuss the procedures involved in setting up and operating this fund with employers and trade unions. The fund is to be financed by the workers through a voluntary monthly contribution equivalent to 0.5 % of their income.

At present, the CGIL, CISL and UIL are seeking to hammer out a joint proposal concerning the objectives, programmes and practical structure of the solidarity fund.

III.5 THE NETHERLANDS

As in many other countries in Western Europe, the Netherlands has a number of different individual wage-savings' schemes. These schemes are voluntary and usually associated with some kind of tax benefit. The savings are frozen for 4-7 years

depending on the form used and often administered by the employer or a bank. There also exist profit-sharing schemes in the Netherlands based on agreements between the employer and the individual employee. About one fifth of employees in industry are believed to be taking part in profit-sharing schemes of this type. There are also tax incentives to encourage the introduction of profit-sharing schemes.

III.5.1 Proposed profit-sharing schemes [19]

The concept of a collectively administered profit-sharing scheme has been discussed for many years in the Netherlands. The first proposal concerning an obligatory profit-sharing scheme (VAD = Vermogensaanwasdeling) was presented to the Dutch parliament in 1976 by the PVDA-CDA [20] government under Den Uyl. The proposal met with criticisms from some parties and from the employers. It was later submitted to Parliament in a revised form in January 1977. The Den Uyl government fell a few months later before the Parliament had discussed the proposal.

A CDA-VVD government [20] under Van Agt put forward two different proposals on VAD schemes to the new parliament in 1978. One proposal concerned profit-sharing in the

individual firm, while the other concerned the transfer of profits to a central fund. The first of these was motivated by a desire to increase the feeling of fellowship between the company and the individual worker. The collective proposal was intended to reduce the differences between income levels in different branches of the economy.

It was proposed that profit-sharing schemes be introduced in all companies with an annual profit of over 100,000 Guilders and the process of profit-sharing would start once the traditional shareholders had received a certain minimum dividend. This minimum dividend was calculated from the average dividend for a range of public bonds plus an extra 3% to cover risk. If a company were to fall short of this profit level, the difference could be deducted from the profits to be shared out in one of the following 6 years.

The employees would receive 12% of the calculated surplus profit. The employees' share of the profit would be equally distributed amongst all those employed in the company. However, the profit share for employees could not exceed 3% of the company's total wages. The profit shares could be paid in either one of three forms : shares in the company where the worker is employed; VAD certificate : this would be a loan certificate with fixed interest for a period of at least 10 years; money to remain in an individual account in the company and to be frozen for 7 years.

The management of the company would choose the forms to be used after consultation with the works council. Transfers to voluntary profit-sharing schemes already in existence could also be deducted under this proposed scheme.

The company would not pay tax on the funds paid out in VAD certificates. The collective share of the profit was to be calculated in the same way as the individual share. 12% of the surplus was to be placed in a central fund, although with a ceiling of 3% for the calculated pre-tax profits. However, these allocations were not to be tax-deductible, while the individual shares were. In order to include the TNCs in the scheme as well the collective part was to be paid as an extra tax.

The central fund was to be used to improve existing pension schemes. Early retirement schemes could also be financed through the fund. The board of the central fund was to consist of 20 persons, 12 appointed by the trade unions and 8 by the government.

The link with the pension scheme meant that the fund's investment policy would be geared to obtaining the highest possible yield.

The proposed VAD scheme was not intended to give employees any influence through ownership over investment decisions, etc.

III.5.2 The views of the trade unions

The trade union view of profit-sharing has its roots in the coordinated wage policy. Within the FNV these ideas came in the wake of the oil crisis in 1974 when many companies obtained very high profits. At that time the FNV wanted legislation to give employees a share in these high profits. They wanted the surplus profits to be transferred to a single national fund in the form of company shares.

The FNV and the CNV had for a long time fought for coordinated collective bargaining as one of the objectives of wages policy based on the principle of equal pay for equal work, irrespective of the place of work.

The FNV's criticism of the latest VAD proposal was based on five main points :

- The FNV held the view that the VAD scheme should consist of profit-shares in one collective fund. They were not in favour of individual shares because of the lack of any link between the two types of share.

- The FNV was also critical of the fact that the transfer to the collective fund was made in the form of cash(taxation) and not in company shares. In the view of the FNV this appeared to be a transfer of income rather than a redistribution of wealth.

- The amount of the deduction to be made for calculating the profit-sharing base was considered to be too high.

- The FNV did not agree with the compensation of losses through deductions from profits in later years.

- The FNV took the view that only trade union representatives should be appointed to the Fund board.

III.5.3 Proposal for an investment wage

The employment situation as well as the general economic situation has triggered a discussion on how to boost investment in the Netherlands. One proposal on an investment wage (investeringsloon) has been put forward by the government as a way of creating new jobs. This wage was planned to replace a special 1% tax for the period April-December 1982. The government proposes that a 1% annual levy should be deducted from workers' pay and transferred to special funds, mainly at industry level. The money should then be made available for companies to finance investment in job-creation projects. The details for the funds are to be worked out at industry or company level through collective bargaining.

The FNV has made a number of specific demands with regard to this proposal on how such a scheme ought to function. The FNV puts forward two main provisions.[21] The first is that the investment wage is considered as and remains the property of the worker. It is a wage, although not paid out. Secondly, workers must have influence over what is done with the money, i.e. in what projects and in what proportions the money is invested. The money should only be invested in new production capacity.

The FNV believes that the details of the investment wage must be hammered out in decentralised collective bargaining at company or industry level. For instance, should the size (%) of the investment wage be open to negotiation ?

It is, however, unlikely that the FNV can start negotiations before the 1983 bargaining round (consultations with the members were taking place on the investment wage during 1982).

The investment wage is intended to have the effect of restraining private consumption, thus giving more scope for internal funds within companies to be invested without increases in profit. This would not give rise to lower income for workers, although there would be a redistribution over a period of a few years.

According to the FNV, the investment wage should in the first place be invested in the company of the workers from whose wage the deduction has been made. For smaller firms or for firms with no new investments to be made, funds for investment wages should be set up on an industry level. The investment wage must be used for new investment and at the same time it must be made clear to the employee that the investment is intended to increase production capacity and employment.

The FNV is keen to underline that the degree of employee influence over decisions achieved through the investment wage scheme can in no way be seen as cancelling out any demands expressed previously for industrial or economic democracy.

The size of the investment wage should be allowed to vary, in the view of the FNV, for different sectors of industry. This further underlines the need for collective agreement on the investment wage to be achieved on industry or company level.

The FNV refuses to accept legal regulations which are outside the sphere of collective bargaining but sees the need for a legal back-up. Collective bargaining agreements should be binding for all employers and employees.

Since the investment wage is not to be paid to the workers,some legally authorised document must be issued to them as evidence for a future claim. The FNV accepts that the investment wage is considered to be risk capital, in the same way as shares are risk capital. From this, it follows that the employee should receive interest while the money is invested in the company.

The document issued to the worker must state the percentage of interest, how long the wage is to be kept in the company, how the wage will be paid out and the time at which it would be possible to sell the document for cash. If there are to be restrictions on selling and buying of investment wage documents this must be agreed upon in the negotiations.

With regard to workers' influence, the investment wage must go further than ordinary company shares in the sense that the employees should have influence over which projects they want their money used for (some kind of right of veto).

If the workplace is too large for every worker to have a say in the investment plans, this task should be given to the work's council. This means that the way the investment wage is used must be determined in collective bargaining at the appropriate level.

However, as mentioned above, sometimes it is not possible to place the investment in the employees' company. In these cases, sectoral funds can be set up and a board elected by the workers which decides where the money should be invested. Before a company can use capital from the sectoral fund it must hold consultations with the local work's council.

In the view of the FNV, the government's role would be to provide the legal guarantees for the implementation of investment wage schemes.

The FNV has not prepared a blueprint for such schemes but general guidelines are being discussed within the organisation and will eventually be put forward in the 1983 bargaining round.

III.6 FEDERAL REPUBLIC OF GERMANY

The German experiences in seeking new ways of saving and distributing wealth are interesting for two reasons. The first is that the Federal Republic of Germany was one of the first countries where schemes of collective capital formation in the hands of the workers, financed through profit-sharing carried out above company level, were discussed. The second reason is that the FRG already has a well-established system of individual savings based on collective agreements and that a substantial majority of the working population participates in this scheme. Although this report essentially concentrates on collective capital formation, it is necessary to describe the German DM 624 Law, not least because this law has been recognised by the German trade unions.

III.6.1 The DM 624 Law (22)

The origins of the process which culminated in the law in 1970 can be traced back to the late 1940's and the early 1950's. At that time, various incentives were introduced to encourage individual savings, mainly in personal insurance and housing. In 1961, the first capital formation law came into operation which contained an incentive for individual savings by making savings up to DM 312 tax-deductible. The savings scheme was based on agreements between the individual worker and

the employer. The money was to be invested in housing, shares or loans to the company in which the worker was employed. This law was not very successful and in 1965 was replaced by the second law on formation of wealth. The difference was that the State would also encourage collectively agreed savings schemes, based on savings from wages. The system of tax deductions was still maintained, although this aspect was the target of much criticism on the basis that it only encouraged savings at certain income levels. The new law gave rise to a much higher participation rate.

The debate in the FRG on the distributional effects of measures to stimulate savings led to the third wealth formation law (the DM 624 Law) in 1970. The new law contained a number of changes. Firstly, the annual amount of savings covered by the incentive was raised from DM 312 to DM 624. Secondly, the tax deduction was replaced by a bonus of 30-40% of the amount saved. All those with an annual income of up to DM 24,000, for single persons, or DM 48,000, for married couples, were eligible to take part in this scheme.

According to the law, the workers must, either individually or collectively, agree to their employer transferring part of their pay to accounts registered in the workers names . Employers are obliged to make provision for workers to save in this way. It is the worker's decision where the money should be invested. The money cannot be used for consumption for six years. This law complements other legislation stimulating savings which means that the total bonus obtained by the workers depends on their family situation (number of children) or the form of saving used.

Since the trade unions agreed to give their backing to this form of savings scheme, it has become very successful. It is estimated that 16 million employees take part in the scheme, which is 80% of all employees. The savings scheme is almost exclusively based on collective agreements. The remaining employees are probably excluded from the scheme because of the income ceiling.

A proposal has been put forward this year (1983) to make further changes to the system. Part of the proposal is to increase the maximum amount to DM 936. However, more controversial is the proposal by the Kohl government not to allow employees the same freedom of choice to decide where to invest the additional DM 312 of savings. Under this proposal it would not be possible to save in housing and life insurance, but only in shares and loans back to the company. The IG Metall Union has commented that the CDU/CSU/FDP government has evidently foreseen that 98% of employees are currently saving in the forms which would be excluded.[23] The IG Metall is also making investigations to see how the Federal government will insure savers against the risk of loss in shares savings. This is a restatement of the principle that no worker should have to risk both his job and his savings at the same time.

III.6.2 The debate on collective capital formation in the form of funds [24]

A plan to redistribute wealth through profit-sharing to give workers influence over management-level decisions by creating funds was first outlined in the late 1950's. This plan was devised by the head of the Wirtschaftswissenschaftliches Institut der Gewerkschaften at that time, Bruno Gleitze. Research progressed until 1968 when the plan was adopted by the DGB.

The key element of this plan was that all private firms above a certain size should be obliged by law to turn over a specific percentage of their gross profits into special funds. The payments were to be made in the form of shares. The DGB preferred this method to other possible means of payment, although the idea of making part-payments in the form of bonds had been discussed. The shares placed in the funds would have the same status as all other shares issued by firms (right of vote and pay-off).

The various funds would then issue certificates to the workers and employees entitled to receive them. This group was defined as those who worked in companies placing shares in these funds. Consequently, the system would not include employees in the public sector. They could, however, be incorporated if public institutions were to adopt the schemes voluntarily.

The certificates issued by the funds were to be blocked for 5-7 years before they could be sold on the market. No dividend was to be paid to the certificate holders during this period. Instead, the income from dividends from these funds was to be used for additional public investment to enhance the "quality of life". The idea of having the certificates blocked on a permanent basis (ewige Sperrfrist) was brought up by the DGB in 1972 but dropped a year later.

The Gleitze Plan was followed by a number of proposals, including one by a Committee of Public Enquiry. The report by the Committee contained a study on wealth distribution in the FRG. The proposed fund scheme was based on profit-sharing in all companies with more than 100 employees where not more than 20% of the profits would be paid into one or more competing funds. The funds would be owned by the employees through individual shares, but the shares would be blocked for 5-10 years under this proposal.(25)

The Krelle proposal was followed by proposals from both the DGB and the DAG based on supra-company level funds with individual shares financed through surplus profit-sharing.

The debate within the DGB, for example, has been particularly intensive and IG Metall is one of the unions which has spoken out against collective funds. Within the IG Metall there were doubts whether profit-sharing schemes would increase workers' influence in companies.

The main arguments of the IG Metall are as follows : personal participation in industrial capital would not yield any advantage to the worker. The worker could not use this for consumption;- the unions would not be able to press for higher wages, as is the case now, once the plan has been put into practice;- "public poverty" (caused by too small a percentage of public investment in improving quality of life) could not be eradicated by means of higher taxation of profits;
- profit-sharing might jeopardise co-determination. The power of the unions should flow from co-determination and not from the administration of funds for the worker.

There is a further argument, which is not openly acknowledged as a rule, which should be added : the coherence of the trade union movement would appear to be at risk if workers become owners of capital and have an interest in profits as well.

Debate has continued within the trade unions in the FRG. The DGB Congress discussed the creation of sectoral funds set up through collective bargaining. No definite results have emerged as yet but the debate is likely to be a protracted one. The DGB Federal Executive Council anticipated this as far back as 1972 when they argued that wage policy and negotiated savings schemes were not enough to attain wealth distribution and industrial policy goals. The ways of achieving these objectives have not yet crystallised into their final form.

III.7 UNITED KINGDOM

Individual profit-sharing schemes exist in the United Kingdom as in other countries. They do not always include all the employees in the company concerned, sometimes only covering management personnel. More interesting from the point of view of economic democracy is the large number of occupational pension funds which exist.

III.7.1 The occupational pension funds (26)

The pension funds are set up in private companies, public enterprises and service sectors on the basis of collective agreements. Companies are encouraged to set up pension funds for their employees by means of tax incentives.

The pension funds are often organised as trusts - at least in the private sector. Each trust is then managed by a group of trustees appointed by various groups. Usually, the trustees are directors or from the senior management of the company, acting in their private capacity. There is

nothing in law preventing the beneficiaries from being trustees. This does, however, depend on the statutes of the trust : if employees become trustees in most cases the employer draws up the statutes. Surveys have in fact shown that the majority of occupational pension fund schemes in the private sector with more than 30 members have at least one employee representative on the trust board or the management committee of the pension fund.

The pension funds have become an increasingly important factor in capital formation in the UK. The total financial resources of the pension funds have risen from £ 4.3 billion at the end of 1963 to an estimated total of over £ 63.1 billion at the end of 1981.[27] It has also been estimated that the occupational pension funds own 20 % of all UK stocks.[28] However, these resources are spread out over more than 85,000 different funds covering some 11.6 million members. About half of those belonging to pension fund schemes are also members of trade unions. 70,000 funds have less than 100 members each. Management of the pension funds is highly concentrated : about two-thirds are managed externally by merchant banks and stockbrokers and no less than three quarters of these externally managed assets are managed by just twenty institutions.

The ten largest pension funds are listed below. Of these ten funds the six largest are public sector pension funds.

TABLE IV - MARKET VALUE AND INVESTMENT INCOME OF THE LARGEST PENSION FUNDS IN 1981 (PUBLIC SECTOR FUNDS ARE MARKED **)

Occupational Pension Fund	£ million	
	Market Value of Fund	Investment Income
The Post Office **	3,795	234
National Coal Board **	1,949*	188
ICI	712*	105
British Rail **	1,629	99
Electricity Council**	1,175	88
British Steel**	1,487	85
British Gas**	1,034	84
BP	1,046	58
National Westminster Bank	831	50
Imperial Group	730	40
* Book Value		

Source (27)

The pension funds invest their money in company shares, as overseas investment (i.e. outside the U.K.), in property and in government securities. They invest by preference in short-term holdings which generally minimises risk-taking. The proportion of investment in long-term risk-taking projects amounts to some 5% of total investment.

From the point of view of the individual worker, the pension fund schemes do have a number of weak points. One is that the funds, at least in the private sector, do not provide compensation for the effects of inflation since the beginning of the pension period. Another problem is that the funds tie the individual beneficiary to a specific company. There is usually no way for an employee to transfer his individual pension savings from one company fund to another if they change job. From the point of view of the employer, this might be considered as a positive aspect. Whatever form the change in job takes, the individual employee is bound to lose out financially.

III.7.2 The position and proposals of the TUC

The TUC has taken the view that the funds should not, as a rule, invest in the company where the beneficiary works. The reason for this is that workers should not have to run the risk of losing both jobs and pension savings at the same time.

For the trusts, it is essential that they safeguard the value of future pensions. The TUC argues that the funds are too passive in determining where the investments are made and should take a more active role by

investing a larger proportion as risk-taking capital. This is a necessary step if the value of pensions are to be protected in the long term. The TUC wants to see an improvement to the pension fund system in the UK brought about through changes in legislation.

The occupational pension funds are regulated by a number of different Acts which were not specifically introduced to regulate the pension funds, e.g. the Trust Law. According to the Trust Law, it is the employer who has the power to appoint the trustees (as is the case for trusts administering funds for children). However, in a growing number of pension funds, there are member trustees as well.

The TUC proposed that 50% of all trustees should be member representatives and appointed through trade union channels. It is argued that pensions should be considered as deferred pay to the members of a scheme and that the fund constitutes a collective storage place for this pay. Consequently, the funds consist of employees' money and the employees should have corresponding rights to take part in deciding how the funds are invested. Employee representatives would also be likely to have rather different views on how the money should be invested.

The TUC claims that if the level of investment in new production capacity in the UK is not stepped up, the pension funds will find it increasingly difficult to maintain the real value of the funds. Pension funds, therefore, have a role to play in revitalising industry. The members of the scheme will gain more in the long term from such an approach than from investments made for short-term gain only. The TUC could therefore be said to be endorsing the legal obligation of the trustees to

invest "in the best interests of the members", but with a slightly different interpretation to that commonly prevailing at present.

The continuous rise in unemployment and very low industrial investment in recent years have prompted the TUC to bring up the idea of using part of the existing pension funds for industrial investment in a more organised way. This should be undertaken not by the pension funds individually but as coordinated effort by all the funds. The TUC proposes that a National Investment Bank (NIB) be set up and managed jointly by the pension funds, the government, industry and the trade unions. It is proposed that 10% of the NIB's finance should come from the annual receipts of the pension funds and 5% from British Oil and Gas revenue in the North Sea. It is estimated that this would produce about £ 1 billion per year.(29)

This proposal is intended primarily as a means of increasing the level of investment rather than democratising the economy. More funds should be directed into productive investment than is the case today.

It is considered that the NIB resources should be used as part of a package of measures to finance large-scale investment projects.

III.8 SWEDEN

The subject of industrial funds controlled by the workers and their unions has been debated within the Swedish trade union movement since at least the early 1950's. The debate took its starting point from the effects of what is known as the solidarity wage policy.

III.8.1 The debate within the LO

At the 1951 Congress, a proposal was put forward by an affiliated union to create branch funds in order to balance out differences in profitability levels of companies with high and low profit margins. This proposal was rejected by the Congress with the reason that it was not the job of trade unions to subsidise non-profitable companies at the expense of profitable companies. They added that it was in fact the government's responsibility to provide financial support if this was considered necessary.

During the 1950's and the 1960's, the wage policy of solidarity was successful in narrowing the gap between average wages in different sectors. This led to an acceleration of structural change in industry. Less competitive companies would be closed down more quickly to the benefit of more competitive companies which would pay higher wages. This policy was also possible because unemployment at that time was low and the unemployed could find another, better-paid job relatively easily.

The authorities encouraged professional and geographical mobility by means of financial measures and vocational training schemes. However, the wage policy had the effect that in some companies, profits could be very high and the gap between profit levels in different companies was wider than desirable for preventing undue wage drift.

This question was discussed at the LO Congresses in 1961, 1966 and 1971.

At the 1976 Congress, a report(30) was presented based on a proposal from 1975 and reactions from affiliated unions after discussions among members. This report is sometimes referred to in the debate as the Meidner report, after the LO economist Rudolf Meidner who headed the working party which produced the report.

The proposals in the report are based on the three objectives laid down by the LO Congress in 1971. These were to supplement the wage policy of solidarity, to counteract the concentration of wealth which stems from industrial self-financing and to increase employees' influence in the economic process.

The Meidner group proposal was that 20% of the profits in companies with more than 50 employees should be transferred to the employees as a collective group. The capital was not supposed to be withdrawn from the company but to remain there as working capital. The company would instead issue shares to that amount and these would be transferred to the wage-earners' fund. These shares would be for employees only and this would gradually

shift the balance of ownership towards the employees.

With regard to the purpose of the wage earners' funds, it should be stressed that the funds constitute an additional means of achieving industrial democracy. At the same time, the funds would increase the possibilities of participation in a democratic decision-making process within a company.

The LO Congress in 1976 decided to approve the general guidelines in the report. This meant, for example, that the Executive Committee of LO was given the task of ensuring that a solution to the question of economic democracy and capital formation could be found through wage-earners' funds. A number of technical questions were to be dealt with by the government commission (with representatives from both sides of industry and the political parties), appointed by the Swedish government in 1975.

Parallel to the setting up of the Commission of Enquiry, the LO and the SAP (social democratic party) began closer cooperation on questions concerning wage-earners' funds and in 1978, a joint committee presented a report.[31] This report was based on the report to the LO Congress in 1976, but the number of objectives had risen from three to four. The fourth objective was that the funds should take a part in capital formation for productive investment. As a result of this additional objective,

the proposals made comprised two elements of financing. Alongside a profit-sharing system, proposals were made for a financing scheme of payments based on the sum of total wages paid into the fund in order to increase the supply of risk-taking capital. The need for this stemmed from the serious slow-down in productive investment which occurred in the mid-1970s. This development placed future jobs under threat. In the 1978 LO/SAP report, a number of technical aspects were considered such as the minimum size of companies for which the scheme would be compulsory and the issue of taxation on money placed in the funds.

The administration of the funds would be carried out through a system of central and regional funds whose representatives would be elected by the trade union members. The representation in companies would be divided between the regional funds and the local trade union organisations, with an upper limit for the local unions. It was still not clear what direct benefits the individual worker would derive from the system, although the 1976 report took up the idea of providing collective goods.

III.8.2 The 1981 LO-SAP report

In 1981, a new joint working party of the LO and SAP presented a report for discussion at both the LO Congress and the SAP Congress in the same year.(32)

The proposals adopted by both congresses were based on the following objectives : to support the solidarity wage policy ; to counteract the concentration of wealth and power ; to strengthen industrial democracy and to increase the level of collective savings in society.

The key element of the report is equal distribution of wealth. It is emphasized that if the central aim is to achieve a more equal distribution of wealth and income then this must be achieved on a collective basis. The working party argues that collective capital formation is the only way to create a secure foundation for equality. Furthermore, the working party observed that those who oppose equality seem more aware of this aspect than its supporters.

The funds would be financed in two ways : through profit-sharing and by increasing pension scheme contributions by 1% of total wages. The profit-sharing element applies to profits over what is considered to be a "fair" level. This level would be determined on the basis of inflation and interest rates. Above this level, 20% of the remaining profits would be paid out in cash through the pension system. According to the working party this profit-sharing system would apply to joint stock companies, regardless of their size, branch or ownership.

The money (approximately 2-3 billion Kronor each year) could be placed in industry as share capital. Ownership would make it possible for employees to take part in the future development of industry and create an improved platform for industrial democracy.

It was proposed that the funds could acquire shares in all types of company. This meant they would not operate exclusively on the stock exchange but could invest elsewhere. The working party also proposed that the right to distribute shares with different voting values should be abolished. Furthermore, if a major company did not issue new shares, even though the economic situation indicated that new share capital was necessary, local trade unions could do so on their own initiative.

The fact that employee investment funds were to be financed through the pension system also has other implications. The employee investment funds would be required to pay a certain proportion each year to the pension system (ATP system). The funds would be organised into one fund for each län (administrative district). There is a total of 24 län in Sweden.

The working party presented two alternative proposals as to how the fund boards should be appointed.
One option would be for a general assembly to be elected in each län which would be in charge of the fund in that particular län. All employees would have the right to vote in this election. Those persons who reach retirement age or who leave work for any other reason maintain their voting rights.

The other option would be for employee representatives to be appointed on the basis of proposals from the trade unions. Employee representatives appointed in this way would form the overwhelming majority on the fund boards. The boards would also include representatives from

political bodies within the län. Employees would thus have a two-way influence. They would be able to exercise influence through the fund's investments and, in addition, ownership would increase their influence in companies.

Voting rights associated with the shares owned by the funds are shared 50/50 between the fund which acquired the shares and employees in the company where the shares were acquired. This split in voting rights will continue until employees and the funds each have 20% of the total number of votes in the company. Voting rights associated with any additional shares owned by the funds go to the fund concerned.

III.8.3 The debate within the TCO

The discussion within the TCO has focused even more closely than within the LO on the question of securing sufficient venture capital for industrial investment. This was stressed in the report presented to the TCO Congress in 1976[33]. The importance was further underlined of not just providing sufficient risk-taking capital but also of ensuring that this was done in such a way that wealth is more equally distributed.

According to the working party which presented the report, the problem was to find a way of maintaining a high level of self-financing in industry and at the same time avoid harmful consequences for wealth distribution.

The TCO working party emphasized that employees' capital and government influence in industry were two separate matters. The ultimate responsibility for industrial policy must reside with the government. Yet state influence in industry would not necessarily guarantee that employees' demands would be satisfied. The TCO report stated that, independent of state and private capital, employee capital would strengthen industrial democracy based on collective agreements and legislation.

In the report, a number of restrictions on this system were outlined : the system should help secure an adequate level of capital formation without unacceptable effects on the distribution of wealth ; it should not conflict with the principle of equal pay for equal work and should in no way change the role of trade unions as representatives of employees.

The TCO report also stressed that all employees should take part in a scheme, whether they work in the private or public sector. The principle of sharing out supervisory responsibilitiesequally among all categories of employees did not preclude the possibility of delegating tasks to those who work in the companies where the money is invested.

The 1976 Congress decided to make this report the basis for future work in the TCO carried out in parallel to the work in the public committee of enquiry. The TCO's work resulted in a new report to the 1979 Congress.(34)

In this new report, the capital formation element is still central. Investment to create future sustainable employment is the theme running through the report. The TCO's 1979 report was therefore more flexible on how the funds could be used. In all the reports referred to previously, it was made clear in the Swedish debate that funds should only be used for investment in industry. The 1979 report included the possibility of financing investment in the public sector, such as road construction and similar projects, which would provide industry with the necessary infrastructures. However, this would only take place if the full investment potential was not required for investment in industry.

To provide finance for the funds, a combination of payments based on total wage bills and profit-sharing was considered. Some conditions were laid down with regard to the profit-sharing element : <u>all</u> employees should benefit from profit-sharing ; the money should remain in the company where the profit-sharing took place; profit-sharing should not lead to a lower level of profits but only to a redistribution of profits and that the system should only apply to profits over a certain level.

The decision of the TCO Congress in 1979 was to use the report as a basis for further discussions within the organisation. In addition, they agreed that different aspects should be examined in more detail. A more definite decision was to be taken at the 1982 Congress.

During 1980 and 1981, three debate pamphlets were presented, "Capital Formation from a Trade Union Viewpoint", "Trade Union Views on Individual Shares" and "Local Trade Unions' Role in an Employee Investment Fund Scheme".

Within the various affiliated unions of the TCO, there was a split among those for and those against a system of employee investment funds. The working party preparing the decision to be taken at the 1982 Congress was therefore unable to propose a definite model. Instead a number of restrictions on the scheme which would eventually be adopted were outlined. The report examined the current validity of objectives which had previously been listed and laid down eight restrictions on future capital formation.(35)

1. Long term capital formation must be adequate. Full employment and the ability to pay high wages would not be possible without a high and stable level of saving and investment.

2. The trend in the concentration of power in industry must be countered - this would result in a stronger economy.

3. Employees' influence in industry should be extended.

4. There should be no restrictions on the authority of democratically elected political bodies - the system of investment funds must not be given a supervisory function in the politico-economic sense.

5. The role of trade unions as employee representatives must not be changed.

6. The possibilities for maintaining a solidarity wage policy must be improved. If capital formation levels out the distribution of wealth, this would increase the chances of achieving wage policy objectives

7. Any trend towards greater inequality of capital distribution should be counteracted.

8. All employees involved in an investment scheme must be subject to the same conditions, whatever sector they work in.

In its decision, the TCO Congress neither endorsed nor rejected employee investment funds. On the issue of capital formation, however, it was decided that the TCO would give its support provided that a sufficient level of capital formation was maintained ; that employees' influence in industrial matters would be strengthened at management level ; that the possibilities for continuing with a solidarity wage policy should be improved and that growth in capital wealth should be distributed in an acceptable manner.

III.8.4 The public committee of enquiry and other bodies

In 1975, a public committee of enquiry was established with representatives from both sides of industry and political parties in parliament. The committee's task was to study and propose measures concerning employees and the growth of productive wealth in industry. The committee initiated a number of studies in this area to make information available on different aspects.

However, the main task of the committee, to present a proposal approved by the committee or the majority of the members, was not achieved. Instead the final document issued by the committee contained a number of reservations in which the members spelled out their views on the system to be adopted. [36]

The nature of the debate has undergone a number of changes since it first began. In 1975, the employers appeared to be interested in discussing this question and they presented a report in 1976 [37] containing the proposals which industry considered would be appropriate.

Since then, the climate of the debate has become increasingly polarised and the discussion has focused less on what form solutions to the problem should take. Instead the employers and non-socialist parties have argued that solutions containing elements of collective capital formation would involve drastic changes to the economic system. Yet the fact is that anonymous owners in the form of holding companies and other financial bodies own an increasing share of industry.

In 1982, the Social Democratic Party returned to power and started to look into the possibilities for some kind of provisional system of wage-earners' funds.

III.8.5 The Edin proposal

At the end of 1982, the new Social Democratic government set up two groups of experts to present proposals in two areas concerning wage-earners' funds. One concerned a model for profit sharing and the other concerned what pay-off on their investment the funds should require. These proposals were presented in early summer of 1983.

Not long after the two committees had presented the results of their work, an outline for a wage-earners' fund system was put forward by the Department of Finance based on the proposals of the two groups of experts. This work was headed by P.O. Edin, an economist who has been working on this question for a number of years both in LO and in the Social Democratic Party. It also contained a complete outline of how a temporary wage-earners' fund system should work. This proposal is expected to form the basis of a government bill in Parliament during the autumn of 1983.[38]

The proposed system consists of five regional funds, each of which will receive not more than 400 million Kronor annually from profit-sharing and a levy based on the total wage bill. The funds are to be linked to the existing pension funds (AP-fonderna) through which they will receive money for investments. It is proposed that the five funds will be managed by a

nine-member board appointed by the government. Of these five shall be appointed by the trade unions. The members of the board are to be appointed for a term of one year. Each fund shall work independently and have its own administration.

The proposed model for profit-sharing is based on surplus profit-sharing.

TABLE IV : PROFIT-SHARING PROCEDURE

Assessed income for national tax: + fiscal deductions (for local tax, losses, investments, research, export credits and dividend allowances); + allocations to stock reserve, profit equalization reserve, etc. (minus sign if reserves have decreased); - the year's computed national and local tax;	phase 1
= NOMINAL RESULT	
- the year's rate of inflation multiplied by certain assets (monetary assets, stocks, machinery and fixtures at the start of the year) together with the year's nominal profit and new capital issues; - extra depreciation of buildings and other constructions to offset inflation; + the year's rate of inflation multiplied by liabilities at the start of the year (including investment reserves);	phase 2
= REAL PROFIT - exempt amount (6% of the wage-bill or 500,000 kr); = *base for the levy.*	
The profit-sharing levy will amount to 20% of the base. It will be deductible for income tax in the following year.	

Source : (39)

20% of this surplus profit is to be paid into the fund system. Something between 1.5 and 2 billion SKR will be transferred to the funds each year from this profit-sharing. For companies with profits not exceeding 500,000 SKR, 6% of their total payments from wages are exempted from profit sharing. The financing is then topped up by a 0.2% levy on the total wage bill within the norms of the pension system. This levy provides 0.6 billion SKR per year. Workers in the public sector help finance the funds as well by means of the wage-bill levy.

Each fund will then receive up to 400 million SKR each year to invest in companies. They are not restricted to investing the money in their own region. The funds shall not however own more than 49% of a company together with the AP-fund. The five regional funds will have had up to 1990 around 14-17 billion SKR to invest in companies according to the proposal. This amounts to about 8% of the total value of the Swedish stock exchange today.

The money should be invested with the objective of giving a real interest of at least 3% and the income from the funds' investments transferred back to the pension fund system. A link is thus created between the funds and each individual worker.

III.9 OTHER COUNTRIES

The countries covered individually in this report are not the only ones in which initiatives have been taken to look into the question of capital formation for workers. The economic crisis has made trade unions in some countries aware of the need not only to press for more productive investment, but also to propose ways of achieving increased investment by active means. This has been a fairly common development in a number of pay negotiations in Western Europe.

III.9.1 BELGIUM

In Belgium, the debate on collective capital formation with workers controlling the means has been rather low key. However, the wood and construction workers union within the CSC has been considering this question and as early as 1967 conducted a study[40], although this has not had any major impact on the Belgian organisation's policy practice.

As part of the Belgian government's wage moderation programme, it was proposed in 1980 that any financial benefits accruing to companies as a result of wage moderation should be transferred to a national investment fund and used to create new jobs. Before very long, the government withdrew this proposal and instead stated

that it was a matter for workers at company or sectoral level to "exercise a right of control regarding the positive effects of pay moderation on investment and employment".

In 1982, the government proposed that both sides of industry should examine the possibility of reaching an agreement on a 3% wage cut and a voluntary 5% reduction in working time, accompanied either by 3% compensatory employment or, if agreement could not be reached on this, by a payment of 3% of total wages into an employment fund.

In recent years, the Belgian trade unions have shown no interest in participation in capital formation as a means of creating productive investment. The main concern remains the protection of purchasing power. The unions strategy to create more jobs was mainly oriented towards the redistribution of available work. Wealth distribution has not been a subject of active discussion within industrial relations.

III.9.2 FINLAND

The debate on wage-earners' funds in Finland has not been very extensive. Until now the debate has been mainly confined to within the Social Democratic Party. A report was prepared for the party congress in June 1981. This report, prepared by a working party, gives the aim of such funds as achieving "economic democracy" based on a broader distribution of wealth and responsibilities.

According to the working party, this would make it possible for workers to participate in important economic discussions and would guarantee the individual worker a fair share in the growth of capital in companies.

Technological development, increasing the need to finance new projects internally, was another reason put forward for introducing funds.

The working party wanted to start up the scheme with wage-earners' funds at company level initially. Later on it was considered coordination might be necessary in the form of regional or national funds.

The most important task for the funds would be to extend the range of possibilities available to employees to take part in the decision-making process. Another objective would be to secure sustainable employment. The funds would be used exclusively for investment in production or R & D.

Among the Finnish trade unions, the SAK initiated an internal study in 1982 to scrutinize the question of wage-earners' funds. The SAK takes the view that these funds are not an alternative to income distribution through collective bargaining but their primary task should be to safeguard and create new jobs by directing company investment.

The SAK wants to see distribution of capital income covered by collective bargaining[41]. The Basic Law in Finland makes it illegal for new legislation to be passed on economic matters with only a simple majority in parliament.

III.9.3 SWITZERLAND

The discussion on how to solve the problem of achieving a share in growth for employees as well as a distribution of wealth is also taking place in Switzerland. In 1982, the SGB set up a working party to look into this question in more depth. The aim is to find solutions which do not run counter to the objectives of traditional wage policy.

CHAPTER IV

SUMMARY AND CONCLUSIONS

IV.1 PATTERNS IN TRADE UNION PROPOSALS

The trade unions are endeavouring to bring about change towards a more equal distribution of incomes and wealth and at the same time secure sufficient resources for investment. The models for collective capital formation take their starting point from the national economic structure.

In the countries reviewed the pattern seems to be that after a time the trade unions try to link up their models of collective capital formation schemes to existing structures. One very obvious example of this is the ÖGB in Austria where it was clearly stated in the report to the 8th Federal Congress that the models proposed outside Austria would not be practicable in this country. Instead a specifically Austrian solution was proposed. The British proposal, using the existing pension funds, is another example of this pattern, although the objectives are different. The debate in Sweden also moved gradually towards an endeavour to find solutions which could be adapted to existing structures. The latest proposals by the LO and Social Democratic Party link up the model for wage-earners' funds to the existing supplementary pension fund scheme.

IV.2 LEVEL OF FUNDS AND INFLUENCE OF WORKERS

One practical question which applies to both individual profit-sharing schemes and to collective capital funds is where the money should be invested and on what level the funds should be set up. The predominant view in the unions has been that profit shares should not, as a rule, be collected together at company level and subsequently ploughed back as risk-taking capital in the same company (where the funds are company-based). Many unions have argued that

they do not want their members to risk losing both their jobs and their savings at the same time.

It is generally accepted that the fund or funds should be set up at national, regional or sectoral level. As a rule, a regional distribution of capital and new employment is easier to achieve with sectoral funds. A sectoral structural policy on the other hand can be carried out more effectively with regional funds. This is of course provided that the funds are only invested in the sector or region concerned.

Workers and their trade unions could influence investment decisions at two levels. Firstly at fund level, where the workers would decide either independently or in cooperation with government and/or employers' representatives, in which company or project they wish the collectively-owned money to be invested. Secondly at company level, if the fund is used to finance the acquisition of shares in ownership capital. The influence of workers at this level would depend on the proportion of company shares owned by the fund and of course how ownership is organised with regard to representation. The Swedish debate has given extensive coverage to the advantages and drawbacks of this form of workers' influence. If the fund were to give loans instead of buying up shares, influence at company level would no longer exist.

In some countries the trade unions have proposed the use of collective funds mainly as a means of injecting more productive investment into the economy. In these cases it has usually been proposed that a tripartite body be set up to administer the funds. An example of this is the TUC proposal to establish the National Investment Bank.

On the other hand, if the scheme is geared to the distribution of wealth or wage policy objectives, it is considered that

the funds should be administered by workers' representatives. In some cases, it has been proposed that government representatives be included in these administrative bodies as minority controllers.

The individual worker owns allocated shares in almost all the existing or proposed fund models. It is usually proposed that the shares should be blocked for a certain period, normally 5-7 years, before they can be sold or cashed in. The exception is the Swedish model in which no individual shares are proposed. But the debate in Sweden has led to the introduction of an individual element through the recently proposed link-up with the supplementary pension system.

IV.3 VIEWS OF EMPLOYERS

Employers and employers' organisations have generally adopted a negative stance on proposals for collective capital formation in the hands of the workers. A number of employers have proposed and implemented individual profit-sharing schemes for the workers in their companies. As a rule, these schemes give workers no influence in management-level decisions.

IV.4 APPROACHES OF GOVERNMENTS

The approach adopted by governments to collective capital formation and profit-sharing - at least in a time of economic crisis - has sometimes been based on the desire to moderate wage increases. The Danish LD Fund (The Wage Earners' Cost-of-Living Fund) is an example of this.

Governments as well as employers however usually proposed individual schemes. Schemes proposed by governments are almost always associated with tax advantages for both the employer and employee. An example is the German DM 624 Law

which has succeeded in achieving a large participation rate but only a minor change in the overall distribution of wealth in Germany society. However, it has emerged that workers save more often in life insurance and housing than in shares or loans in the company where they work. Consequently the redistribution of productive capital has been even less successful. The reasons for these schemes may have differed but usually the primary motive was to boost productivity and to tie the employees more firmly to the company. Also, the prospect of possible wage moderation in the company following the introduction of profit-sharing has been important from the employers' point of view.

IV.5 COLLECTIVE CAPITAL FORMATION IN THE COMING YEARS

Different forms of workers' collective capital will probably play a more active role in the Western European economies during the years to come. It is however important that the system proposed and introduced is not over-ambitious in the number of objectives it aims to achieve. In other words the fewer initial objectives there are the easier it will be to find a suitable scheme.

It is also probable that the full backing of the individual workers will only be gained if the schemes can offer them clear advantages. One weakness of many proposed schemes for collective capital formation may have been that the advantages to the workers have not been clear enough. It may be a positive factor if new schemes are linked up to institutions which are already in existence. In some cases it may be necessary to make some adjustments to ways in which these institutions operate to ensure that the objectives of the scheme are achieved.

What clearly emerges from this study is that the economic crisis has led trade unions to seek ways of switching a larger

share of profits into new investment without reducing the share given to workers. Collective bargaining in the different countries has a vital role to play in determining which solutions should be adopted.

During the course of this debate there has been a shift in emphasis towards more reliance on existing systems rather than seeking totally new schemes. This trend will probably continue in the future.

NOTES

(1) ETUC : General Resolution and specific resolutions 1982-85, approved by the 4th Statutory Congress, The Hague, 1982

(2) Vermögensbildung in Arbeitnehmerhand, Report to the 7th Federal Congress of the ÖGB

(3) Bent Hansen : Lighed er frihed, LO-DK, Ishøj, 1982

(4) CERC : Constat de l'évolution récente de revenus en France (1979-1982), Documents du CERC no. 64, 1982

(5) Mondo Economico 22/83

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